

UnderCoverWear

APPENDIX 4D

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

1. Details of the reporting period

Current period	1 July 2012 to 31 December 2012
Previous corresponding period	1 July 2011 to 31 December 2011

2. Results for announcement to the market

		\$	Up / down	Movement %
2.1	Revenues from ordinary activities	4,513,854	down	31.6%
2.2	Loss from ordinary activities after tax attributable to members	(924,552)	down	309.3%
2.3	Net loss for the period attributable to members	(924,552)	down	309.3%
2.4	Dividends	Amount per Security (cents)	Franked amount per security (cents)	
	<i>Current Period</i>			
	Final	N/A	N/A	
	Interim	N/A	N/A	
	<i>Previous corresponding period</i>			
	Final	N/A	N/A	
	Interim	N/A	N/A	
2.5	Record date for determining entitlements to dividends	N/A		
2.6	<p>During the half-year ended 31 December 2012, other than disclosed in the Directors' Report, there were no significant items that impacted on the results recorded in our Income Statement.</p> <p>Refer to the Directors' Report contained in attached interim financial report for further explanation of the results.</p>			

3. Net Tangible Assets per security

	31 Dec 2012	31 Dec 2011
Net tangible asset backing per ordinary security	(2.38) cents	0.63 cents

4. Details of entities over which control has been gained or lost during the period

i.	Name of entity (or group of entities) over which control was gained/lost	N/A
ii.	Date control was gained/lost	N/A
iii.	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired/lost	N/A
	Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

5. Details of dividends / distributions

N/A as no interim dividend will be paid.

6. Details of dividend / distribution reinvestment plan

At 31 December 2012, there was no dividend reinvestment plan in operation for UnderCoverWear Limited.

7. Details of associates and joint venture entities

N/A

8. Accounting Standards used by foreign entities

N/A

9. Qualification of audit / review

N/A as there is no audit dispute or qualification. Refer to the attached interim financial report which includes our auditor's Independent Review Report.

UNDERCOVERWEAR LIMITED
A.B.N 85 108 962 152

INTERIM FINANCIAL REPORT
Half-Year Ended 31 December 2012

UNDERCOVERWEAR LIMITED
A.B.N 85 108 962 152

CONTENTS

	<i>Page</i>
Company Details	3
Directors' Report	4
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Financial Performance	7
Consolidated Statement of Changes In Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Interim Financial Statements	10
Directors' Declaration	13
Auditor's Independence Declaration	14
Independent Auditor's Review Report	15

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

COMPANY DETAILS

Directors	Stuart Richardson, <i>Chairman</i> John Everett AM Richard Lowry
Company Secretary	Nick Geddes
Registered & Principal Office	UnderCoverWear Limited ABN 85 108 962 152 ACN 108 962 152 Unit 5 14-16 Lexington Drive Baulkham Hills NSW 2153 Tel: +61 2 8853 2800 Fax: +61 2 8853 2899 Website: www.ucw.com.au
Auditor	Grant Thornton Audit Pty Ltd Level 17, 383 Kent Street Sydney NSW 2000
Share Registry	ComputerShare Investor Services Pty Ltd Level 5, 115 Grenfell Street Adelaide SA 5000
Stock Exchange Listing	Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

DIRECTORS' REPORT

Your directors submit the financial report of UnderCoverWear Limited and its controlled entities for the half-year ended 31 December 2012.

Directors

The names of directors who held office during or since the end of the half-year:

Stuart Richardson

John Everett

Richard Lowry

All directors held office from the start of the half year to the date of this report unless otherwise stated.

Review of Operations

The headline results comparing first half results for the 2012 financial year with the previous year's first half are as follows:

Revenue	\$4,513,854	down	31.6%
Loss (after tax)	(\$924,552)	down	309.3%

The planned growth of the size of the Independent Sales Consultant field has been more challenging than anticipated as shown in the sales results above.

The company has continued to work through different methods of attracting new consultants and reactivating ex-consultants, of which there have been positive results in the past few months.

Recruitment will continue to be the focus of the management team and the company as a whole.

The company moved premises during December 2012, and as a result will reduce rent expense by approximately \$707k per year and also reduce expenses in other areas of the business associated with the new, smaller location.

One off costs associated with the premises move of \$170k are included in the half year loss.

Inventory continues to be monitored closely, managing the balance between minimising obsolescence and maintaining the required quantity of inventory for the forecast growth.

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

DIRECTORS' REPORT

Auditor's Independence Declaration

A copy of the auditor's independence declaration in relation to the review of the interim financial report for the half year ended 31 December 2012 is shown on page 14 and forms part of this report.

This report is signed in accordance with a resolution of the board of directors.

A handwritten signature in black ink, appearing to read 'SRW', is positioned above the name of the director.

Stuart Richardson

Director

Dated 28th February 2013

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Consolidated Entity	
	31 December 2012	31 December 2011
	\$	\$
Revenue	4,513,854	6,602,993
Changes in inventories and work in progress	(1,892,177)	(2,562,515)
Distribution costs	(314,856)	(352,950)
Commissions paid	(399,559)	(479,402)
Promotions and advertising expense	(369,357)	(488,498)
Depreciation and amortisation expense	(44,859)	(98,489)
Insurance expense	(56,052)	(66,492)
Employee benefits expense	(1,293,906)	(1,527,908)
Rental expenses	(617,799)	(644,619)
Finance costs	(54,274)	(76,226)
Other expenses	(395,567)	(463,540)
Loss before income tax expense	(924,552)	(157,646)
Income tax expense	-	(68,257)
Loss attributable to members of the parent entity	(924,552)	(225,903)
Other comprehensive income	-	-
Total comprehensive loss	(924,552)	(225,903)
Basic loss per share (cents per share)	(2.14)c	(0.52)c
Diluted loss per share (cents per share)	(2.14)c	(0.52)c

The accompanying notes form part of this financial report.

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Consolidated Entity	
	31 December 2012	30 June 2012
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	234,881	12,416
Trade and other receivables	238,623	91,743
Inventories	1,336,962	2,291,589
Other current assets	110,231	28,510
TOTAL CURRENT ASSETS	1,920,697	2,424,258
NON-CURRENT ASSETS		
Plant and equipment	307,987	374,731
TOTAL NON-CURRENT ASSETS	307,987	374,371
TOTAL ASSETS	2,228,684	2,798,989
CURRENT LIABILITIES		
Financial liabilities	842,189	954,406
Trade and other payables	1,749,302	1,473,876
Short-term provisions	497,611	383,945
TOTAL CURRENT LIABILITIES	3,089,102	2,812,227
NON-CURRENT LIABILITIES		
Financial liabilities	134,903	53,553
Long-term provisions	32,718	36,697
TOTAL NON-CURRENT LIABILITIES	167,621	90,250
TOTAL LIABILITIES	3,256,723	2,902,477
NET LIABILITIES	(1,028,040)	(103,488)
EQUITY		
Issued capital	22,809,146	22,809,146
Retained earnings	(23,837,186)	(22,912,634)
TOTAL EQUITY	(1,028,040)	(103,488)

The accompanying notes form part of this financial report.

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	Ordinary Share Capital	Retained Profits	Total
Balance at 1 July 2011		22,809,146	(22,309,040)	500,106
Total comprehensive loss for the period		-	(225,903)	(225,903)
Dividends paid or provided for	3	-	-	-
Balance at 31 December 2011		22,809,146	(22,534,943)	274,203
Balance at 1 July 2012		22,809,146	(22,912,634)	(103,488)
Total comprehensive loss for the period		-	(924,552)	(924,552)
Dividends paid or provided for	3	-	-	-
Balance at 31 December 2012		22,809,146	(23,837,186)	(1,028,040)

The accompanying notes form part of this financial report.

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Consolidated Entity	
	31 December 2012	31 December 2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	4,376,456	7,354,963
Payments to suppliers and employees	(4,081,253))	(7,122,001)
Interest received	2	10,994
Dividends & trust distributions received	15	1616
Finance costs	(54,274)	(76,226)
Income taxes received	-	426,916
Net cash provided by operating activities	240,946	594,662
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of non-current assets	197,505	285,382
Purchase of non-current assets	(185,122)	(69,819)
Net cash provided by investing activities	12,383	215,563
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Interest bearing liabilities	353,250	-
Repayment of Interest bearing liabilities	(87,738)	(340,093)
Net cash provided by/(used in) financing activities	265,512	(340,093)
Net increase/(decrease) in cash held	518,841	470,132
Cash at beginning of period	(855,335)	(1,154,055)
Cash at end of period	(336,494)	(683,923)

The accompanying notes form part of this financial report.

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 1: BASIS OF PREPARATION

The condensed interim consolidated financial statements (the interim financial statements) of the Consolidated Entity are for the six months ended 31 December 2012 and are presented in Australian dollar (\$), which is the functional currency of the parent company.

These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with AIFRS, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2012 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Stock Exchange Listing Rules and the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those applied in the 30 June 2012 financial report.

The interim financial statements have been approved and authorised for issue by the board of directors on 28 February 2013.

Reporting basis and conventions

The half year report has been prepared on an accruals basis and is based on historical costs.

Going Concern

Notwithstanding the decline in revenue, the net current liabilities of \$1,168,406 and the operating loss before income tax for the 6 months ending 31 December of \$924,552, this financial report has been prepared on a going concern basis.

The directors are confident that the combination of careful management of overheads, the continued focus on growing consultant numbers, and the continued access to the bank facility, will provide sufficient funds to meet the ongoing capital requirements of the Group for the foreseeable future.

Whilst there is material uncertainty, the directors consider it appropriate to prepare the accounts on a going concern basis as they are satisfied that, based on the cash flow forecasts prepared, the Group will be able to meet its debts as and when they become due and payable for a period of at least 12 months from the date of this report.

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Consolidated Entity	
	31 December 2012	31 December 2011
NOTE 2: PROFIT BEFORE TAX		
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Revenue:		
• sale of goods	4,283,516	6,232,045
• distribution charges	145,719	131,906
• rental revenue	80,946	161,919
• other revenue	3,655	66,114
• interest & dividends received	17	11,009
Total Revenue	4,513,854	6,602,993

Profit before income tax has been determined after:

• Expenses		
- cost of sales	1,892,177	2,342,563
- foreign currency translation losses	79,230	100,104
- finance costs	47,522	76,226
- depreciation of non-current assets	31,352	90,624
- bad & doubtful debts	5,865	12,524
- rental expense on operating leases	484,466	524,619
- write down of inventories to net realisable value	128,513	219,952

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 3: DIVIDENDS

There were no dividends provided for or paid during the half year.

NOTE 4: BORROWINGS

The consolidated group has borrowed funds for equipment finance to assist with upgrading the fleet of motor vehicles. The equipment finance borrowings totalled \$205,719 at the interim reporting date.

UnderCoverWear Limited is guarantor for the amount borrowed, and the vehicles purchased are provided as security for the borrowings.

The consolidated group has an overdraft facility of \$650,000, of which \$569,505 has been utilised by the end of the interim reporting period.

A loan of \$200,000 was made by director John Everett to the Consolidated Entity to assist with the cost of changing premises. The loan attracts compound interest at a rate of 10%

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

There were no significant events after the balance sheet reporting date that effects the position at 31 December 2012.

NOTE 6: CONTINGENT LIABILITIES

During the period and at reporting date there was no contingent liability that was not recorded as a liability or would result in an event after the reporting date that the Group is aware of.

NOTE 7: SEGMENT INFORMATION

The consolidated group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief decision makers) in assessing performance and determining the allocation of resources.

The group only operated in one business segment being the manufacturing and distribution of underwear and garments through the home party plan, which is supported by an administration office in Sydney, Australia. All segment assets, segment liabilities and segment results relate to the one business segment and therefore no segment analysis has been prepared.

Revenues sourced from New Zealand, the only export market, are deemed not to be material and therefore disclosure of assets and revenues by geographic segment is deemed not to be required.

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 12:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Stuart Richardson

Director

Dated 28th February 2013

Grant Thornton Audit Pty Ltd
ACN 130 913 594

Level 17, 383 Kent Street
Sydney NSW 2000
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

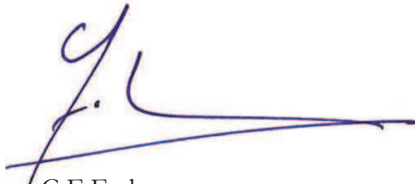
**Auditor's Independence Declaration
To The Directors of UnderCoverWear Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of UnderCoverWear Limited for the half-year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C F Farley
Partner - Audit & Assurance

Sydney, 28 February 2013

Grant Thornton Audit Pty Ltd
ACN 130 913 594

Level 17, 383 Kent Street
Sydney NSW 2000
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report To the Members of UnderCoverWear Limited

We have reviewed the accompanying half-year financial report of UnderCoverWear Limited ("The Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of UnderCoverWear Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of UnderCoverWear Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of UnderCoverWear Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty regarding going concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of \$924,552 during the period ended 31 December 2012 and had net liabilities of \$1,028,040 at 31 December 2012. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C F Farley
Partner - Audit & Assurance

Sydney, 28 February 2013